



PINE POINT MINES LIMITED

FINANCIAL STATEMENTS

Year Ended December 31, 1972

Auditors' Report
Statement of Earnings and Earnings
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Balance Sheet
Statement of Source and Application
of Funds
Notes to Financial Statements

PINE POINT MINES LIMITED

Year Ended December 31, 1972

FINANCIAL STATEMENTS

DIRECTORS

F. E. Burnet	A. M. Murray
R. Hendricks	S. M. Rothman
R. A. MacKimmie, Q.C.	J. H. Salter
M. H. Mason	J. B. Smith
	W. M. Young

OFFICERS

J. H. Salter	- - - - -	President
S. M. Rothman	- - - - -	Vice-President
P. C. Stewart	- - - - -	Secretary

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company
555 Burrard Street, Vancouver, B.C.
600 - 7th Avenue S.W., Calgary, Alberta, T2P 0Y6
Bay & King, Toronto, Ontario, M5W 1P9

AUDITORS

Thorne, Gunn & Co.
Vancouver, B.C.

PINE POINT MINES LIMITED

22ND ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The directors are pleased to report that operation of the Company's property at Pine Point, Northwest Territories during 1972 proceeded normally in an environment of rising prices for lead and zinc. Cominco Ltd. continued to act as manager and agent for the Company.

The Company's financial statements and the auditors' report to the shareholders may be found immediately following this report.

FINANCIAL

Net earnings for 1972 were \$7,302,000 or \$1.62 per share, compared with \$11,958,000 or \$2.65 per share for 1971. This decrease in net earnings was largely attributable to increased taxes. The average price received for zinc concentrate improved slightly while lead concentrate increased by about 20% from the previous year's average.

Your attention is directed to Note 4 of the financial statements explaining a tax matter which remains unresolved.

Capital expenditures were \$2,720,000 compared with \$1,289,000 and were mainly for additional housing, purchase of the Coronet mineral claims and additions to plant to reduce the magnesium oxide content of our zinc concentrate.

Dividends of \$3.50 per share were paid in 1972 compared with \$4.50 per share in 1971.

PINE POINT MINES LIMITED

SALES

Sales taken into revenue, net of delivery expenses, were \$33,867,000 for 1972 compared to \$36,064,000 for the previous year and reflected an increase of 13,500 tons of lead concentrate and a decrease of 96,468 tons of zinc concentrate. A strike affecting Cominco's reduction plants at Trail was mainly responsible for the shortfall in sales of zinc concentrate and produced an abnormally high inventory of this material at year end which will be used in 1973. Realized price for lead concentrate was offset by rising freight costs and smelter charges.

Although sales tonnage was 19% lower than 1971, the rail freight costs of \$18,000,000 including \$2,000,000 special transportation charge did not decrease in the same proportion and are becoming a serious factor in the economics of some of the broad mineral potential. Of the total tonnage sold, 75% was manufactured into refined metal in Canada, chiefly by Cominco, 9% in the United States, 9% in Japan, 3% in India, 2% in Europe and 2% in South Africa.

OPERATIONS (1971 comparative data in brackets)

Ore treated in the concentrator amounted to 3,810,000 tons (3,892,000) with an average grade of 2.7 (2.6)% lead and 6.2 (6.5)% zinc. Production amounted to 119,000 (118,000) tons of lead concentrate and 391,000 (416,000) tons of zinc concentrate. Inventories at year end amounted to 26,000 tons (28,000) of lead concentrate and 60,000 tons (6,000) of zinc concentrate. The Company mined from eleven pits, four of which were abandoned by the year end. Two new pits are being prepared for production. The volume of overburden and waste handled increased sharply to catch up on the shortfall in 1971 and amounted to 7.7 (5.4) million tons. Notwithstanding this additional work, cost performance was generally satisfactory. 360 feet of drifting was done in the M-40 orebody in preparation for a test of a

continuous mining machine. The 150 ton truck reported as under test in 1972 was not compatible with the conditions at Pine Point and plans are underway to test equipment in the 85 ton range. Additional flotation equipment was installed which is now operating to reduce the magnesium oxide content in zinc concentrate and a further installation to provide an acid leach will be implemented in 1973 to meet customer limits for this contaminant in zinc concentrate. The community of Pine Point was augmented by several small businesses, twenty new houses and twenty serviced trailer lots with thirty more houses to be built in 1973. A reverse osmosis water treatment plant was installed to improve the quality of domestic water.

Ore reserves at the end of the year were 40.9 (41.9) million tons with average grade of 2.4 (2.4)% lead and 6.0 (6.0)% zinc. During 1972 the Company continued its vigorous exploration program incurring an expenditure of \$1.0 million. This work which included 115,000 feet of diamond drilling failed to replace current production or find any major new ore zones but the continuing program over the past three years has indicated some 22 million tons of mineralization which, while not mineable under the present conditions (economics of transportation and mining techniques) continue to engage our active attention.

Your directors appreciate the efforts of the Cominco employees who operated and managed your property during 1972 and in particular wish to recognize their fine performance in the areas of accident prevention and cost control.

On behalf of the Board

J. H. Salter
President

PINE POINT MINES LIMITED

STATEMENT OF EARNINGS AND EARNINGS REINVESTED IN THE BUSINESS YEAR ENDED DECEMBER 31, 1972

(with comparative figures for 1971)

	1972	1971
Sales (note 1)	\$33,867,000	\$36,064,000
Interest income	348,000	108,000
Total revenue	34,215,000	36,172,000
Production, selling and general expenses (note 2)	15,715,000	15,663,000
Depreciation (note 3)	3,055,000	2,972,000
Depletion (note 3)	2,831,000	2,831,000
Amortization of mine preparation	212,000	548,000
Income taxes (note 4)	5,100,000	2,200,000
Total expense	26,913,000	24,214,000
NET EARNINGS (\$1.62 per share; 1971 - \$2.65)	7,302,000	11,958,000
Earnings reinvested in the business at beginning of year	26,787,000	26,120,000
Prior year's freight adjustment, net of income tax	(525,000)	—
	33,564,000	38,078,000
Dividends (\$3.50 per share; 1971 - \$2.50)	15,807,000	11,291,000
EARNINGS REINVESTED IN THE BUSINESS AT END OF YEAR	\$17,757,000	\$26,787,000

PINE POINT MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS YEAR ENDED DECEMBER 31, 1972

(with comparative figures for 1971)

	1972	1971
SOURCE		
Net earnings for year	\$ 7,302,000	\$11,958,000
Add		
Depreciation	3,055,000	2,972,000
Depletion	2,831,000	2,831,000
Amortization of mine preparation	212,000	548,000
Income taxes not currently payable	700,000	—
Funds from operations	14,100,000	18,309,000
APPLICATION		
Buildings and equipment	1,668,000	402,000
Mining properties, net of \$585,000 not currently payable	404,000	—
Mine preparation	63,000	887,000
Income tax reassessments under objection (note 4)	860,000	—
Prior year's freight adjustment, net of tax	525,000	—
Other	6,000	6,000
Dividends	15,807,000	11,291,000
	19,333,000	12,586,000
INCREASE (DECREASE) IN WORKING CAPITAL	\$ (5,233,000)	\$ 5,723,000
	December 31,	
	1972	1971
Current assets	\$16,842,000	\$18,942,000
Current liabilities	6,337,000	3,204,000
	\$10,505,000	\$15,738,000
	Increase (Decrease)	Increase (Decrease)
	\$ (2,100,000)	\$ (2,478,000)
	3,133,000	(8,201,000)
	\$ (5,233,000)	\$ 5,723,000

PINE POINT MINES LIMITED

(Incorporated under the laws of Canada)

BALANCE SHEET AT DECEMBER 31, 1972

(with comparative figures for 1971)

ASSETS**CURRENT ASSETS**

	1972	1971
Cash and short-term investments	\$ 4,196,000	\$ 2,000
Trade accounts receivable		
Cominco Ltd. (shareholder)	2,053,000	6,789,000
Cominco (U.K.) Ltd. (affiliate)	79,000	—
Others	1,748,000	9,392,000
Prepaid expenses	2,107,000	152,000
Inventories, at lower of cost and net realizable value	5,122,000	1,231,000
Stores and materials, at cost less allowance for obsolescence	1,537,000	1,376,000

16,842,000	18,942,000
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INCOME TAX REASSESSMENTS UNDER OBJECTION (note 4)

860,000	—
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DEFERRED CHARGE

Mine preparation, net of amortization	1,074,000	1,224,000
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FIXED ASSETS (note 3)

Land, buildings and equipment, at cost less amounts realized on sales	39,018,000	37,350,000
Less accumulated depreciation	18,222,000	15,168,000
	20,796,000	22,182,000
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Mining properties and development, at cost	31,707,000	30,718,000
Less accumulated depletion	12,861,000	10,030,000

18,846,000	20,688,000
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39,642,000	42,870,000
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\$58,418,000	\$63,036,000
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Approved by the Board

J. H. SALTER, Director

A. M. MURRAY, Director

LIABILITIES**CURRENT LIABILITIES**

Accounts payable and accrued liabilities
Income taxes (note 4)
Long-term debt due within one year

1972	1971
\$ 3,018,000	\$ 2,661,000
3,118,000	537,000
201,000	6,000
<u>6,337,000</u>	<u>3,204,000</u>

LONG-TERM DEBT

Agreement to purchase mining properties, without interest and payable in four equal annual instalments of \$195,000 to 1976
7% Housing mortgages, payable in monthly instalments to 1992

780,000	—
184,000	190,000

Less portion due within one year

<u>964,000</u>	<u>190,000</u>
201,000	6,000
<u>763,000</u>	<u>184,000</u>

INCOME TAXES NOT CURRENTLY PAYABLE

<u>4,400,000</u>	<u>3,700,000</u>
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SHAREHOLDERS' EQUITY**Capital**

Authorized
5,000,000 Shares of no par value
Issued and fully paid
4,516,363 Shares

Earnings reinvested in the business

29,161,000	29,161,000
17,757,000	26,787,000
<u>46,918,000</u>	<u>55,948,000</u>
<u>\$58,418,000</u>	<u>\$63,036,000</u>

AUDITORS' REPORT TO THE SHAREHOLDERS OF PINE POINT MINES LIMITED

We have examined the balance sheet of Pine Point Mines Limited as at December 31, 1972 and the statements of earnings and earnings reinvested in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, subject to possible adjustments which may result in the future from resolution of the matter described in note 4.

Vancouver, B.C.
February 19, 1973

THORNE, GUNN & CO.
Chartered Accountants

